



June 10, 2004

News Release

Kemper Receives Go-Ahead to Proceed with Run-Off Plan

FOR IMMEDIATE RELEASE

LONG GROVE, Ill. – The Illinois Department of Insurance has given the Kemper Insurance Companies permission to proceed with the run-off plan submitted on March 19, 2004. Details of the plan are confidential, pursuant to the state's risk-based capital statute. The three-year plan is designed to help Kemper meet its goal of resolving, to the maximum extent possible, all valid policyholder claims.

The plan contains financial models that project positive surplus and liquidity through 2006, the last year addressed in the plan, assuming there is no further material adverse reserve development. Successfully achieving this objective will be very challenging. At this time, Kemper has little premium revenue (about \$90 million estimated for 2004 and virtually none thereafter) and the investment income that is being generated is offset by expenses. If Kemper does not successfully implement its plan, current financial trends would render the company unable to meet its current policyholder obligations in the first few months of 2005.

It is through initiatives such as a policy buyback effort, under which the company "buys back" certain commercial lines policies in order to reduce its future loss exposure, and aggressive expense control measures that the company intends to successfully implement the plan. The run-off plan Kemper filed with the state projects that the company will create approximately \$200 million in surplus through various initiatives and further reduce already substantially downsized expenses by another \$30 million. If successful, Kemper is projected to have a nominal amount of surplus and liquidity remaining as of December 31, 2006. In view of the risks and uncertainties involved in implementing the plan, including the need to achieve significant policy buybacks, commutation of reinsurance agreements, and further agreements with regulators, no assurance can be given that the plan will be successfully implemented. The Illinois Department of Insurance will continue to closely monitor Kemper's progress in achieving the objectives of the run-off plan.

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**DEFENDANT'S
EXHIBIT**1



May 14, 2004

News Release

Kemper submits first-quarter financials

FOR IMMEDIATE RELEASE

LONG GROVE, Ill. -- Kemper filed its first-quarter 2004 financial statements (LMC financial statement – AMM financial statement) on Thursday, May 13, 2004. The company posted a combined statutory surplus of \$163.8 million. Of this amount, \$153.6 million represents Lumbermens Mutual Casualty Company's (LMC) surplus, with the \$10.2 million balance posted by American Manufacturers Mutual Insurance Company (AMM). The combined first-quarter surplus is a decline of approximately \$48.6 million for year-end 2003 surplus of \$212 million.

On an operating basis, Kemper lost approximately \$28 million in the first quarter of 2004. Total assets for the organization stood at approximately \$4.8 billion, compared to \$5.3 billion at the end of 2003.

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